

Senate Engrossed House Bill

FILED

**JANICE K. BREWER
SECRETARY OF STATE**

State of Arizona
House of Representatives
Forty-eighth Legislature
First Regular Session
2007

CHAPTER 112

HOUSE BILL 2084

AN ACT

AMENDING SECTION 43-1071, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL
INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-1071, Arizona Revised Statutes, is amended to
3 read:

4 43-1071. Credit for income taxes paid to other states

5 A. Subject to the following conditions, residents shall be allowed a
6 credit against the taxes imposed by this chapter for net income taxes imposed
7 by and paid to another state or country on income taxable under this chapter:

8 1. The credit shall be allowed only for taxes paid to the other state
9 or country on income that is derived from sources within that state or
10 country and that is taxable under its laws irrespective of the residence or
11 domicile of the recipient.

12 2. The credit shall not be allowed if the other state or country
13 allows residents of this state a credit against the taxes imposed by that
14 state or country for taxes paid or payable under this chapter.

15 3. The credit shall not exceed ~~such~~ THE proportion of the tax payable
16 under this chapter as the income subject to tax in the other state or country
17 and also taxable under this title bears to the taxpayer's entire income upon
18 which the tax is imposed by this chapter.

19 B. If any taxes paid to another state or country for which a taxpayer
20 has been allowed a credit under this section are at any time credited or
21 refunded to the taxpayer:

22 1. The taxpayer shall immediately report that fact to the department.

23 2. A tax equal to the credit allowed for the taxes credited or
24 refunded by the other state or country is due and payable from the taxpayer
25 upon notice and demand from the department.

26 3. Interest shall be added to and collected as a part of the tax at
27 the rate determined pursuant to section 42-1123 from the date the credit was
28 allowed under this chapter to the date of the notice and demand.

29 4. If the tax and interest are not paid within ten days from the date
30 of notice and demand, there shall be collected as a part of the tax interest
31 upon the unpaid amount of tax and interest at the rate of twelve per cent per
32 annum from the date of the notice and demand until the amount is paid.

33 C. The credit against the taxes imposed by this chapter for net income
34 taxes paid to another state or country shall not be allowed to any taxpayer
35 or any class of taxpayers if the allowances of the credit will result in any
36 invalid or illegal discrimination against another taxpayer or another class
37 of taxpayers.

38 D. For taxable years beginning ~~before~~ ON OR AFTER January 1, 2002 and
39 subject to the following conditions, a resident of this state, who is also
40 considered to be a resident of another state under the laws of the other
41 state, is allowed a credit against the taxes imposed by this title for net
42 income taxes imposed by and paid to that state on income taxable under this
43 title as follows:

44 1. The credit is allowed only if the other state taxes the income to
45 the resident of this state and does not allow the taxpayer a credit against

1 taxes imposed by that state on that income for taxes paid or payable on that
2 income under this title.

3 2. The credit is allowed only for the proportion of the taxes paid to
4 the other state as the income taxable under this title and also subject to
5 tax in the other state bears to the entire income on which the taxes paid to
6 the other state are imposed.

7 3. The credit may not exceed the proportion of the tax payable under
8 this title as the income TAXABLE UNDER THIS TITLE AND ALSO subject to tax in
9 the other state ~~and also taxable under this title~~ bears to the entire income
10 taxable under this title.

11 4. FOR THE PURPOSE OF THE CREDIT ALLOWED UNDER THIS SUBSECTION,
12 "INCOME TAXABLE UNDER THIS TITLE AND ALSO SUBJECT TO TAX IN THE OTHER STATE"
13 MEANS INCOME THAT WOULD BE SOURCED TO THE OTHER STATE IF THE OTHER STATE WERE
14 IMPOSING ITS INCOME TAX ON THE TAXPAYER AS IF THE TAXPAYER WAS A NONRESIDENT
15 OF THAT OTHER STATE.

16 E. For purposes of this section, net income taxes imposed by another
17 country ~~shall~~ include those taxes that qualify for a credit under sections
18 901 and 903 of the internal revenue code and the regulations ~~thereunder~~ UNDER
19 THOSE SECTIONS.

20 Sec. 2. Refund claims; applicability; time limitation

21 Refund claims under section 43-1071, subsection D, Arizona Revised
22 Statutes, as amended by this act shall be filed under the time limitations
23 prescribed in section 42-1106, Arizona Revised Statutes.

24 Sec. 3. Repeal

25 Section 2 of this act is repealed from and after December 31, 2011.

26 Sec. 4. Retroactivity

27 Section 43-1071, Arizona Revised Statutes, as amended by this act,
28 applies retroactively to taxable years beginning from and after December 31,
29 2001.

APPROVED BY THE GOVERNOR APRIL 24, 2007.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 24, 2007.